

Message Text

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ACTION NEA-09

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FM AMEMBASSY KABUL
TO USDOC WASHDC
INFO SECSTATE WASHDC 2421
AMEMBASSY TEHRAN

UNCLAS KABUL 2815

E.O. 11652: N/A

TAGS: BMEP, AF, IR

SUBJ: EARLY WARNING: AFGHAN STEEL MILL FOR RAIL PRODUCTION

1. ENGINEER M. H. TOUFIQI, PRESIDENT OF INDUSTRIES, WAS INVOLVED IN TALKS IN TEHRAN ABOUT PROPOSED IRANIAN-FINANCED RAILROAD PROJECT IN AFGHANISTAN. IRANIANS CONFIDED TO HIM THEIR SERIOUS DIFFICULTIES IN OBTAINING TIMELY SUPPLIES OF RAILS FOR THEIR OWN RAILWAY EXPANSION AND RENOVATION PLANS. A PROPOSAL WAS MADE TO ESTABLISH AN AFGHAN STEEL PLANT PRODUCING INITIALLY ONLY STEEL RAILS AND FISHPLATES FOR BOTH IRANIAN AND AFGHAN RAILROAD NEEDS, UTILIZING HAJIGAK IRON ORE DEPOSITS AND KAJAKAI DAM HYDRO-POWER FOR ORE REDUCTION.

2. PROPOSED PLANT WOULD BE A THREE-WAY JOINT VENTURE, WITH PARTICIPATION SOMETHING LIKE 40 PERCENT GOA, 40 PERCENT IRANIAN PRIVATE INVESTMENT (WITH GOI BACKING) AND 20 PERCENT WESTERN (PREFERABLY U.S.) FIRM WHO WOULD PROVIDE TECHNOLOGY AND PLANT OPERATION AS MAJOR PORTION ITS EQUITY PARTICIPATION. INITIAL CAPITALIZATION TENTATIVELY PLANNED AT \$100 MILLION FOR PLANT TO PRODUCE INITIALLY IN AREA OF 50 THOUSAND TONS ANNUALLY OF RAILS AND PLATES, PLUS ADDITIONAL 50 THOUSAND TONS OF PIG IRON. LOCATION TO BE DETERMINED, PROBABLY IN KANDAHAR AREA, DEPENDING ON RELATIVE COSTS OF TRANSPORTING POWER TO PLANT, IRON ORE TO PLANT, AND FINISHED GOODS TO RAILROAD SITES. TOUFIQI STATES HE ALREADY HAS FIRM COMMITMENT FROM GOI TO GUARANTEE PURCHASE OF ENTIRE PRODUCTION NOT NEEDED BY AFGHAN RAIL SYSTEM IN FIRST TEN YEARS OF PLANT OPERATION. TOUFIQI STATES
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INITIAL REACTION OF GOA TO IDEA IS POSITIVE.

3. FOR TEHRAN: TOUFIQI STATES GOI INTRODUCED HIM TO POSSIBLE IRANIAN INVESTORS GROUP, WHO ARE CURRENTLY IN JOINT VENTURE WITH GERMANY COMPANY, AMONG OTHER ENTERPRISES, IN A SHOE FACTORY NAMED "GABOO (PHONETIC) SHOES". TOUFIQI WAS RETICENT ABOUT IRANIANS, STATING THAT IN SUCH EARLY STAGES HE SHOULD SAY NOTHING. ABOVE INFORMATION OBTAINED IN SEPARATE SOCIAL CONVERSATION. ANY INFORMATION YOU CAN PROVIDE WOULD BE APPRECIATED.

4. FOR USDOC: AS USUAL, WE ENCOURAGE ANY U.S. FIRMS INTERESTED TO TRAVEL TO KABUL FOR TALKS WITH ENG. TOUFIQI. PROPOSAL STILL UNFORMED AND TOUFIQI NOT FAMILIAR WITH STEEL PRODUCTION. INTERESTED INVESTORS WHO ARE EXPERTS CAN STRONGLY INFLUENCE SHAPE THAT PROPOSAL TAKES. TOUFIQI SHOWED, FOR EXAMPLE, INTEREST IN EMBOFF SUGGESTION OF USE OF SLURRY PIPELINE FOR TRANSPORT OF ORE TO PLANT (ABOUT 70 MILES). EMBOFF UNDERSTANDS BECHTEL IS WORLD LEADER IN SUCH PIPELINES. COMPANIES PREPARED TO VISIT KABUL CAN INFLUENCE BASIC DECISIONS ON SUCH MATTERS, IF PROJECT COMES TO FRUITION. TOUFIQI IS INTERESTED IN JOINT VENTURE PARTNER, WILL ONLY OFFER CONTRACT FOR TECHNICAL ASSISTANCE/ MANAGEMENT AS LAST RESORT IF NO FIRM CAN BE FOUND INTERESTED IN JOINT VENTURE. ACCORDING TO TOUFIQI, GOI HAS EXPRESSED WILLINGNESS TO ASSIST IN FINANCING, OF IRANIAN PARTNER AT LEAST, AND POSSIBLY OF OTHER PARTNERS.
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